KENTUCKY
PUBLIC PENSION
COALITION

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Experts Reveal Pension Overhaul Would Cost $55 Million

Report finds that Senate Bill 2 would have serious consequences for Kentucky's taxpayers and public employees

Frankfort, KY – Today, the Kentucky Center for Economic Policy (KCEP) released a new report explaining why Senate Bill 2 is bad for Kentucky state employees, retirees and taxpayers. Last week, the state Senate speedily passed the cash balance measure without a full understanding of its cost and impact on state government.

Based on the analysis, the plan is expected to increase state costs by $55 million dollars over the next 20 years. The analysis also found the following:

- Even the increased cost of $55 million may be understated - the plan actuary only assumed a 7.75% return even though they expected 8.1% to be credited.
- The Pew report from October 3 never factored in the cost of ancillary benefits (e.g. disability and death benefits) to the cost of the cash balance plan.
- Even though the cost is higher, career employees would get fewer benefits (non career employees would get more). No one has yet seriously looked at the HR impact.
- Cash balance plan could harm state's ability to attract and retain a skilled workforce needed to deliver quality public services.
- Because SB 2 does not account for any cost-of-living increases down the road, state employees are expected to see their benefits decrease over the long-term.

“The cash balance plan in Senate Bill 2 has the potential to be bad for both workers and the state. The official actuarial analysis says it will increase costs by at least $55 million over the next 20 years,” says Tom Lowman, an actuarial analyst for Bolton Partners, Inc who examined the legislation.

“While costing the state more, the cash balance plan is likely to make it harder to attract and retain skilled workers to public service while making those workers’ retirement years far less secure,” said Jason Bailey, Director of the Kentucky Center for Economic Policy.

Opponents not only highlighted SB 2’s costs, but also the faulty process in which it was passed. “Senate Bill 2 amounts to terrible public policy,” said Steve Barger, coordinator for the Kentucky Public Pension Coalition. “The expedited process in which it was passed without full knowledge of its costs and implications on the state workforce, retirees, and taxpayers should be equally alarming.”

“Kentuckians deserve better than this hastily-written measure,” said Barger. “We urge Kentucky lawmakers to oppose this legislation that only reduces state employee retirement benefits and carries with it a higher price-tag.”

- **Copy of KCEP report detailing $55 million figure**: http://kypolicy.org/content/proposed-cash-balance-pension-plan-new-workers-projected-increase-costs

- **Copy of broader KCEP report:** http://www.kypolicy.org/content/cash-balance-plan-likely-increase-costs-impact-quality-public-services-and-reduce-retirement

About The Kentucky Public Pension Coalition:

Its mission is to ensure that the Kentucky retirement system is fully funded so it continues to provide the foundation of a secure retirement for public employees and retirees. The Coalition seeks to protect and defend retirement security for public employees and retirees in the Commonwealth of Kentucky.